



# Meter Reader

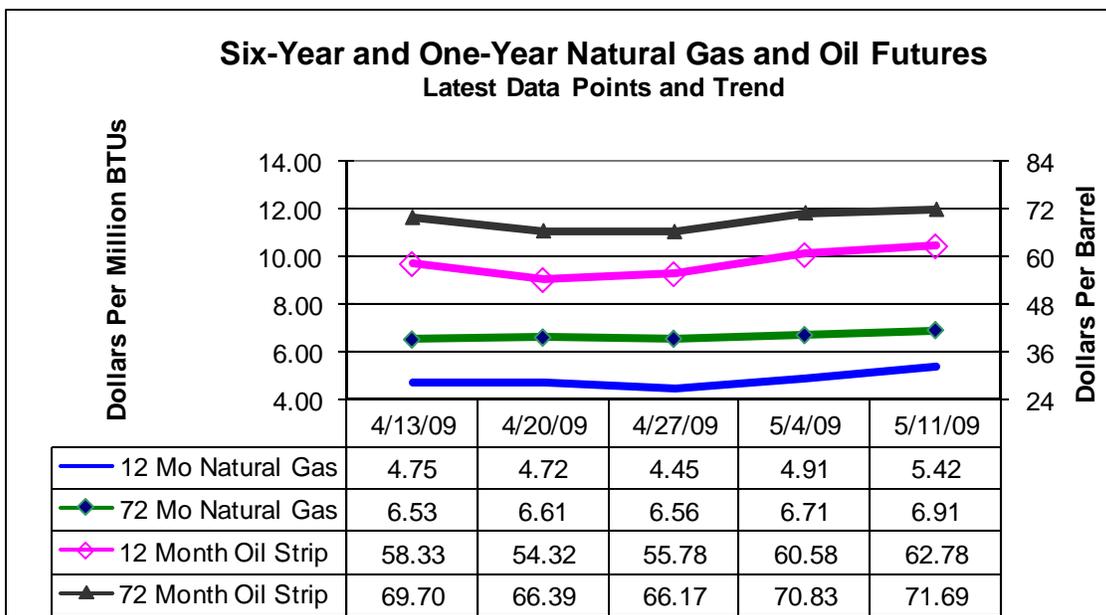
A Weekly Analysis of Large Cap Oil and Gas Stocks  
 May 12, 2009

## Restore Buys on Occidental (OXY) and Lukoil (LUKOY)

### Summary and Recommendation

We restore buy recommendations on U.S. stock **Occidental Petroleum (OXY)** and Russian stock **Lukoil (LUKOY)** triggered by stock prices resuming an uptrend above the 200-day average in each case. Moderate risk OXY offers unlevered appreciation potential of 38% to a McDep Ratio of 1.0 and levered appreciation potential of 42% to Net Present Value (NPV) of \$89 a share. For higher risk Lukoil stock, the numbers are 150%, 170% and \$135 a share. Recent *Stock Idea* analyses document the fundamental outlook (see Oxy, April 23, 2009; Lukoil, April 8, 2009). We have now doubled to 21, our number of large cap buy recommendations in the past two weeks. We are optimistic that the underlying value we identify may be increasingly recognized in the market by investors. Long-term oil may also confirm an uptrend as the recent average of \$72 a barrel for futures prices for the next six years approaches the 40-week average of \$78 (see chart below Six-Year and One-Year Natural Gas and Oil Futures and chart on last page, Six-Year Commodity Price Meter).

Kurt H. Wulff, CFA





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Table 1											
McDep Energy Portfolio											
Geographic Domicile and Business Segments											
						Present Value by Segment (%)					
	Symbol/Rating	Price (US\$/sh)	EV/ Market	Enterprise Value (\$mm)	North Amer. Natural Gas	Rest of World Natural Gas	Oil Prod'n	Down- stream	McDep Ratio		
	B = Buy H = Hold	11-May 2009	Cap								
<b>U.S. Integrated</b>											
Exxon Mobil Corporation	XOM	B	69.27	1.11	380,000	6	22	49	24	0.79	
Chevron Corporation	CVX	H	68.00	1.24	168,000	4	11	66	18	0.74	
Marathon Oil Corporation	MRO	H	30.97	1.49	32,800	10	7	57	26	0.67	
ConocoPhillips	COP	B	45.13	1.76	119,000	13	10	61	16	0.55	
<i>Total or Median *</i>	<i>32%</i>	<i>9%</i>	<i>10%</i>		<i>700,000</i>					<i>0.70</i>	
<b>Europe</b>											
BG Group	BRGXF	B	16.76	1.12	63,400		27	46	27	0.78	
BP plc	BP	H	47.00	1.44	213,000	8	12	64	15	0.71	
StatoilHydro ASA (33%)	STO	B	21.27	1.37	30,600		53	47	-	0.68	
Total S.A.	TOT	B	55.31	1.25	155,000		25	53	22	0.67	
Royal Dutch Shell plc	RDS-A	H	47.90	1.33	196,000	3	24	40	33	0.67	
<i>Total or Median *</i>	<i>30%</i>	<i>12%</i>	<i>14%</i>		<i>658,000</i>					<i>0.68</i>	
<b>Brazil/China/Russia</b>											
CNOOC Limited (34%)	CEO	B	124.97	1.00	19,000		12	88	-	0.93	
PetroChina Company Ltd (14%)	PTR	B	104.83	1.15	31,000		13	74	13	0.73	
Petrobras	PBR	B	39.98	1.19	209,000		10	81	10	0.73	
Lukoil Oil Company	LUKOY	B	49.55	1.15	48,500			54	46	0.40	
Gazprom (50%)	OGZPY	B	21.50	1.25	78,000		79	21	-	0.39	
<i>Total or Median *</i>	<i>18%</i>	<i>12%</i>	<i>19%</i>		<i>386,000</i>					<i>0.73</i>	
<b>U.S. Independent</b>											
Anadarko Petroleum Corp.	APC	B	48.84	1.69	38,000	55		41	4	0.80	
XTO Energy Inc.	XTO	B	42.78	1.45	35,800	79		21	-	0.78	
Occidental Petroleum Corp.	OXY	B	62.88	1.11	56,700	12	1	78	9	0.73	
EOG Resources	EOG	B	73.73	1.13	20,800	77	3	19	-	0.70	
Chesapeake Energy Corp.	CHK		22.39	2.05	27,400	89		11	-	0.66	
Devon Energy Corporation	DVN	B	63.35	1.32	37,200	67		33	-	0.61	
<i>Total or Median *</i>	<i>10%</i>	<i>14%</i>	<i>19%</i>		<i>216,000</i>					<i>0.71</i>	
<b>Canada</b>											
Imperial Oil Limited (30%)	IMO	B	36.63	1.08	10,200	5		79	16	0.78	
Encana Corporation	ECA	B	54.14	1.30	52,800	69		26	4	0.77	
Canadian Natural Resources	CNQ	B	53.29	1.43	41,100	24		76	-	0.71	
Suncor Energy pro forma	SU	B	31.22	1.33	64,800	6		85	7	0.67	
Canadian Oil Sands Trust	COSWF	B	24.42	1.10	13,000			100	-	0.60	
Petro-Canada (to be SU@1.28)	PCZ	B	38.67								
<i>Total or Median *</i>	<i>8%</i>	<i>12%</i>	<i>24%</i>		<i>182,000</i>					<i>0.71</i>	
<b>Income and Small Cap (see separate weekly analysis)</b>											
	<i>2%</i>	<i>42%</i>	<i>14%</i>		<i>35,500</i>	<i>46</i>		<i>54</i>		<i>0.68</i>	
<b>Composite</b>											
<i>Enterprise Value Weighting</i>	<i>100%</i>				<i>2,177,500</i>	<i>12</i>	<i>16</i>	<i>56</i>	<i>17</i>	<i>0.69</i>	
<i>Equal Weighting</i>		<i>100%</i>				<i>35</i>	<i>7</i>	<i>50</i>	<i>7</i>	<i>0.69</i>	
<i>Equal Weighted Buys</i>			<i>100%</i>			<i>20</i>	<i>12</i>	<i>63</i>	<i>9</i>	<i>0.70</i>	
* Percentages in Symbol column refer to current market Enterprise Value weightings; Rating column, equal weightings.											
* Percentages in Price column refer to equal weighted buys.											



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Table 2								
McDep Energy Portfolio								
Net Present Value and McDep Ratio								
			Price			Net		
	Symbol/Rating		(US\$/sh)		Market	Present	Debt/	
	B = Buy	11-May	Shares	Cap	Value	Present	McDep	
	H = Hold	2009	(mm)	(US\$mm)	(US\$/sh)	Value	Ratio	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	69.27	4,959	344,000	90.00	0.08	0.79
Chevron Corporation	CVX	H	68.00	2,000	136,000	98.00	0.14	0.74
Marathon Oil Corporation	MRO	H	30.97	712	22,050	54.00	0.22	0.67
ConocoPhillips	COP	B	45.13	1,495	68,000	109.00	0.24	0.55
<i>Total or Median</i>					570,000		0.18	0.70
<b>Europe</b>								
BG Group plc	BRGXF	B	16.76	3,384	56,720	22.00	0.08	0.78
BP plc	BP	H	47.00	3,153	148,000	74.00	0.22	0.71
StatoilHydro ASA (33%)	STO	B	21.27	1,051	22,360	35.00	0.18	0.68
Total S.A.	TOT	B	55.31	2,235	124,000	90.00	0.13	0.67
Royal Dutch Shell plc	RDS-A	H	47.90	3,063	147,000	80.00	0.17	0.67
<i>Total or Median</i>					498,000		0.17	0.68
<b>Brazil/China/Russia</b>								
CNOOC Limited (34%)	CEO	B	124.97	152	19,030	135.00	-	0.93
PetroChina Company Ltd (14%)	PTR	B	104.83	256	26,860	150.00	0.10	0.73
Petrobras	PBR	B	39.98	4,387	175,390	58.00	0.12	0.73
Lukoil Oil Company	LUKOY	B	49.55	850	42,000	135.00	0.05	0.40
Gazprom (50%)	OGZPY	B	21.50	2,925	62,900	64.00	0.08	0.39
<i>Total or Median</i>					326,000		0.08	0.73
<b>U.S. Independent</b>								
Anadarko Petroleum Corp.	APC	B	48.84	460	22,500	70.00	0.33	0.80
XTO Energy Inc.	XTO	B	42.78	578	24,730	60.00	0.24	0.78
Occidental Petroleum Corp.	OXY	B	62.88	814	51,200	89.00	0.07	0.73
EOG Resources	EOG	B	73.73	250	18,500	110.00	0.08	0.70
Chesapeake Energy Corp.	CHK		22.39	597	13,370	46.00	0.34	0.66
Devon Energy Corporation	DVN	B	63.35	444	28,100	116.00	0.15	0.61
<i>Total or Median</i>					158,400		0.20	0.71
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	36.63	257	9,410	48.00	0.06	0.78
Encana Corporation	ECA	B	54.14	751	40,700	75.00	0.18	0.77
Canadian Natural Resources	CNQ	B	53.29	541	28,800	85.00	0.21	0.71
Suncor Energy pro forma	SU	B	31.22	1,565	48,850	52.00	0.16	0.67
Canadian Oil Sands Trust	COSWF	B	24.42	482	11,780	42.00	0.06	0.60
Petro-Canada (to be SU@1.28)	PCZ	B	38.67					
<i>Total or Median</i>					140,000		0.16	0.71
McDep Ratio = Market cap and Debt to present value of oil and gas and other businesses								
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.								



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May 12, 2009

Table 3								
McDep Energy Portfolio								
Value Multiples and Distribution Yield								
			Price	Adjustd			Divd or	
	Symbol/Rating		(US\$/sh)	Resrvs/	PV/	EV/	Distrib	
	B = Buy	11-May	Prod	Ebitda	Ebitda	P/E	NTM	
	H = Hold	2009	NTM	NTM	NTM	NTM	(%)	
<b>U.S. Integrated</b>								
Exxon Mobil Corporation	XOM	B	69.27	11.9	9.4	7.4	14	2.3
Chevron Corporation	CVX	H	68.00	9.9	8.4	6.2	15	3.8
ConocoPhillips	COP	B	45.13	10.5	9.9	5.5	10	4.2
Marathon Oil Corporation	MRO	H	30.97	9.2	8.1	5.4	13	3.1
<i>Total or Median</i>				<i>10.2</i>	<i>8.9</i>	<i>5.8</i>	<i>14</i>	<i>3.5</i>
<b>Europe</b>								
BG Group plc	BRGXF	B	16.76	9.1	9.5	7.4	15	1.0
BP plc	BP	H	47.00	9.8	8.9	6.4	11	7.1
Total S.A.	TOT	B	55.31	9.3	8.3	5.5	10	5.6
Royal Dutch Shell plc	RDS-A	H	47.90	7.6	7.7	5.2	10	7.0
StatoilHydro ASA (33%)	STO	B	21.27	7.4	6.5	4.4	10	5.3
<i>Total or Median</i>				<i>9.1</i>	<i>8.3</i>	<i>5.5</i>	<i>10</i>	<i>5.6</i>
<b>Brazil/China/Russia</b>								
Petrobras	PBR	B	39.98	9.2	11.4	8.2	15	2.4
PetroChina Company Ltd (14%)	PTR	B	104.83	14.3	10.2	7.5	27	3.9
CNOOC Limited (34%)	CEO	B	124.97	7.5	7.5	7.0	14	4.1
Lukoil Oil Company	LUKOY	B	49.55	16.7	11.1	4.4	10	2.4
Gazprom (50%)	OGZPY	B	21.50	24.6	11.2	4.3	6	1.5
<i>Total or Median</i>				<i>14.3</i>	<i>11.1</i>	<i>7.0</i>	<i>14</i>	<i>2.4</i>
<b>U.S. Independent</b>								
XTO Energy Inc.	XTO	B	42.78	11.5	13.8	10.8	18	1.2
Chesapeake Energy Corp.	CHK		22.39	11.7	14.5	9.6	24	1.3
EOG Resources	EOG	B	73.73	9.8	12.8	8.9	111	0.8
Anadarko Petroleum Corp.	APC	B	48.84	9.2	10.3	8.2		1.5
Devon Energy Corporation	DVN	B	63.35	8.8	11.0	6.7	18	1.0
Occidental Petroleum Corp.	OXY	B	62.88	10.9	9.2	6.7	16	2.0
<i>Total or Median</i>				<i>10.3</i>	<i>11.9</i>	<i>8.6</i>	<i>18</i>	<i>1.3</i>
<b>Canada</b>								
Imperial Oil Limited (30%)	IMO	B	36.63	18.5	15.6	12.1	24	0.9
Canadian Oil Sands Trust	COSWF	B	24.42	23.2	19.4	11.7	21	2.1
Canadian Natural Resources	CNQ	B	53.29	8.0	12.6	8.9	21	0.7
Encana Corporation	ECA	B	54.14	9.0	11.5	8.9	16	3.0
Suncor Energy pro forma	SU	B	31.22	-	11.5	7.7	17	0.6
Petro-Canada (to be SU@1.28)	PCZ	B	38.67					
<i>Total or Median</i>				<i>9.0</i>	<i>12.6</i>	<i>8.9</i>	<i>21</i>	<i>0.9</i>
EV = Enterprise Value = Market Cap and Debt; Ebitda = Earnings before interest, tax, depreciation and amortization; NTM = Next Twelve Months Ended March 31, 2010; P/E = Stock Price to Earnings; PV = Present Value of oil and gas and other businesses								



# Meter Reader

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## Index of Recent Research

### Stock Ideas

<u>Date</u>	<u>Symbol</u>	<u>Subject</u>	<u>Theme</u>
11-May	STO	StatoilHydro ASA	Alternative Energy Practical Idealist
8-May	EAC	Encore Acquisition Company	Restore Buy (Small Cap Weekly)
8-May	SU	Suncor Energy	Restore Buy on New Price Trend
8-May	PCZ	Petro-Canada	Restore Buy on New Price Trend
8-May	IMO	Imperial Oil Limited	Restore Buy on New Price Trend
8-May	CNQ	Canadian Natural Resources	Restore Buy on New Price Trend
7-May	APC	Anadarko Petroleum Corporation	Restore Buy on New Price Trend
6-May	PWE	Penn West Energy Trust	Transitioning to Exploration and Production Company
6-May	XTO	XTO Energy Inc.	Restore Buy on New Price Trend
6-May	DVN	Devon Energy Corporation	Efficient Producer
6-May	TOT	Total S.A.	Resilience to Recession
5-May	XEC	Cimarex Energy Company	Ready to Drill Shale
5-May	EOG	EOG Resources Inc.	Ready to Develop More Oil and Gas
5-May	BRGXF	BG Group	New Buy on Global LNG and Brazil Oil
5-May	PBR	Petrobras	New Buy on Oil Growth
1-May	CVX	Chevron Corporation	Creating Energy Wealth Globally
1-May	BRY	Berry Petroleum	Getting through Tough Times
30-Apr	IMO	Imperial Oil Limited	Investing through the Cycle
30-Apr	MRO	Marathon Oil Corporation	Refining Helping Performance
30-Apr	XOM	Exxon Mobil Corporation	Strong Performer in Tough Times
29-Apr	COSWF	Canadian Oil Sands Trust	Cash Flow Exceeds Distribution
29-Apr	OGZPY	Gazprom	Expect Modest Results for 2009
29-Apr	RDSA	Royal Dutch Shell plc	Lower Net Present Value to \$80 a Share
29-Apr	CEO	CNOOC Ltd	Reinstate Buy on Rising Outlook
28-Apr	PTR	PetroChina Company Limited	Tax and Price Control Relief
28-Apr	BP	BP p.l.c.	Downstream Increase Offsets Upstream Cash Decrease
28-Apr	PCZ	Petro-Canada	Suncor at a Discount
23-Apr	OXY	Occidental Petroleum Corporation	Low-Cost U.S. Oil and Gas Producer
23-Apr	COP	ConocoPhillips	Overlooked Rich Resources
23-Apr	SU	Suncor Energy	Acquiring Financial Strength
22-Apr	EAC	Encore Acquisition Company	Levered to Oil Price
22-Apr	ECA	EnCana Corporation	Billion Dollar Hedge Gain
17-Apr	* SJT	San Juan Basin Royalty Trust	Lower Net Present Value to \$26 from \$34 a Unit (Weekly)
17-Apr	* HGT	Hugoton Royalty Trust	Natural Gas Price Limits Distributions (ISC Weekly)
8-Apr	* LUKOY	Lukoil Oil Company	Making Money after Interruption
4-Mar	* BIR.TO	Birchcliff Energy Ltd.	Alberta Reduces Royalties (Taxes) on New Wells

### Meter Reader

12-May		Weekly	
5-May		Weekly	New Buys on Stock Price Uptrend
28-Apr		Weekly	Russian Stocks Acting Better
21-Apr	*	Weekly	Oil and Gas below Replacement Cost

### Income and Small Cap Weekly

8-May		Encore Acquisition Company	Restore Buy
1-May		Weekly	The Natural Gas Contrarian
24-Apr		Weekly	Low McDep Ratios for Peyto and Freehold
17-Apr	*	Weekly	Readjust NPV for Volume Trend

### Industry Ideas

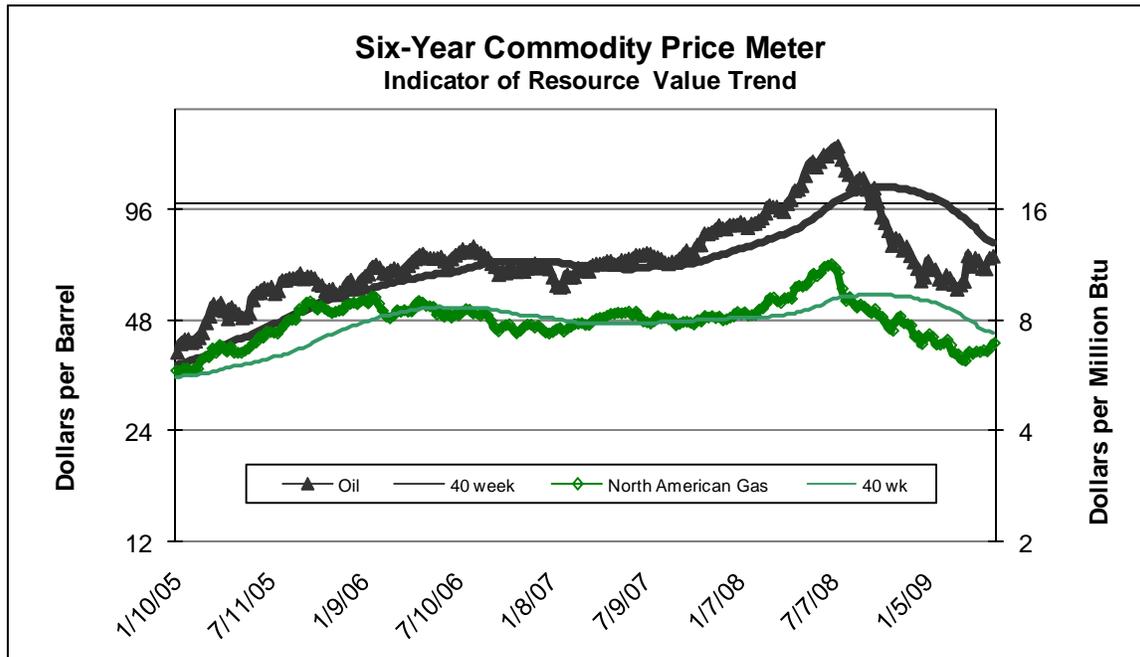
2-Apr	*	Presentation	Making Money in Oil and Gas Stocks
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\* Archived on [www.mcdep.com](http://www.mcdep.com)



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**Research Methodology/Ratings Description:** McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation. Hold recommendations assume the attributes of the underlying business are reflected in the current price of the stock. Sell recommendations are expected to deliver a total return less than inflation.